

Statement of
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Chairman King, Congressman and members of the subcommittee, my name is Veronique de Rugy, and I am a research scholar at the American Enterprise Institute, here in Washington DC. It is my pleasure to appear before you today to discuss “The Need for Grant Reform and The Faster and Smarter Funding for First Responders Act of 2005.”

International terrorism is probably the greatest security challenge America faces today. Policy makers have responded in two ways – going after terrorists abroad and improving security against terrorism at home by boosting homeland security funding. Regarding the latter, Congress and the administration moved swiftly to create a Department of Homeland Security and increased total funding for homeland security activities by 195 percent between FY2001 and FY2006.¹ Total spending directed to homeland security activities will be at least \$49.9 billion for FY 2006, roughly \$450 per American household.²

On the issue of homeland security, the most important question is whether America is getting the maximum level of benefit in exchange for this increase in spending. A substantial portion of new homeland security spending is being used for grants to state and local governments. However, currently grants to the state and local government appear to be allocated without risk and cost benefit analysis, leading to a large amount of wasteful spending. Unfortunately, in the realm of homeland security, wasteful spending jeopardizes the American people security.

The absolute amount of money spent on homeland security is not the issue in this testimony, but the political process leading to the way the money is spent is. Economics suggests that if homeland security spending decisions are made on a political basis rather than on a sound cost benefit analysis, it will lead to the traditional public choice failures that plague government spending more generally. As a result, homeland security funding is likely to be misallocated, resulting in a less than optimal level of security in America.

In the first part of my testimony I will look at the way economists think about homeland security spending decisions in general. Then I will apply these conclusions to the particular problem of grants to first responders. I conclude that there is an urgent need to reform the grant system toward a risk-based system, which would include removing the provision for minimum state allocations.

II. The Economics of Homeland Security

The terrorist attacks in 2001 stimulated a concerted effort to adopt security measures that would reduce the risks of similar events in the future. This was and is a logical response, as security, by definition, is about prevention of adverse consequences from the intentional actions of others. Economists think about security policies in terms of tradeoffs, formally comparing the costs and the benefits, both pecuniary and non pecuniary.³

We all make security tradeoffs. For example, when we lock the door to our house in the morning, we assess the small inconvenience of carrying a key in exchange for a modicum of security against a burglary. People make security decision trade-offs all the time, choosing more or less security as situations change. Optimal security decisions and policies require a good understanding of the risks and tradeoffs we face.

Even presuming that politicians have chosen the level of spending on Homeland Security desired by voters, it is natural to ask whether that level is optimal. It is difficult both for scientists and for citizens to assess risks of events with low probability – such as acts of terrorism.⁴ Uncertainty is what could greatly magnify the terrorist threat, far beyond the actual damage that any single terrorist strike

has historically caused. In fact, it seems that it is precisely because of the uncertainty that accompanies the terrorist threat, and the associated costs (e.g. the provision of security at a myriad potential targets, reduced investments because of generalized uncertainty, disruption of travel, tourism, and perhaps also trade), that few terrorists, armed with relatively primitive means, can effectively threaten even a powerful nation.⁵

Thus, while the risks are difficult to quantify, there is reason to suspect that individuals may irrationally ratchet up their assessments of terrorist risk, and hence, may ratchet up their demand for homeland security spending. This may induce Congress to invest in projects that would not pass a cost benefit test. But again, the problem is doing falling to make efficient spending choice is that each misspent dollar is one that we do not direct to an effective protection of the American people and as such is one that reduces our security.

What to invest in?

While terrorism is only recently the dominant security issue in the U.S., economists have long studied the optimal provision of security more generally. In Gary Becker's seminal paper on the economics of crime, he uses the tools of economics to think about the incentives of criminals and how to influence their behavior.⁶ He explains that we can decrease unwanted behaviors by increasing their expected costs or decreasing their expected benefits. This approach applies to terrorism as well.

The primary method of discouraging terrorists is to make it more difficult to attack our assets. In effect, this reduces the "benefit" of a terrorist attack—since there presumably will be less damage—and forces terrorists to incur higher "cost" as they seek alternate targets. We install Jersey barriers to keep trucks away from important buildings, screen airline passengers, and employ internet firewalls. But it is important to make sure that the resources used to fight terrorism are being used effectively. This is not always the case. If a certain strategy reduces the threat of terrorism but has very high costs, it may not be the best use of resources if there is another approach that generates similar benefits but has lower costs to society.

For traditional criminals, potential incarceration is an important "cost" consideration and an efficient tool in deterring crime. And it is an effective use of resources since imposing stiff jail sentences is cheaper than guarding every house. Unfortunately, this approach is generally not effective against terrorists because they tend to be ideological extremists who give little weight to the personal costs of their actions. Suicide bombers, for example, will not be deterred by jail time. The most serious implication is that the possibility of deterrence is greatly reduced.⁷

Second, we can combat terrorism by decreasing the expected benefits to terrorists, either by increasing the probability of thwarting an attack or by decreasing the damage from a non-thwarted attack. To thwart attacks, we spend money on the CIA, FBI, and law enforcement to try to detect terrorist plots in advance. To decrease the damage from attack, we spend money on first responders, build fewer skyscrapers, and buy gas masks. One important implication of Becker (1968) is that there are tradeoffs between thwarting attacks and decreasing their damage: the more effective we are at thwarting attacks, the less we presumably should spend on decreasing their damage, and vice versa.

Taking the analysis a step further, the most efficient options to combat terrorism tend to be efforts to detect terrorists themselves or to respond effectively to minimize the damage after an attack has occurred. Spending to defend particular targets is generally less efficient. Both results stem from the fact that there are an almost unlimited number of targets, and the terrorist gets to choose where to attack. For example, suppose there are 100 potential targets that we could perfectly defend for \$20,000 a piece, that the damage from un-defended attack would be \$500,000, and that we could mitigate one-tenth the damage from attack by spending \$50,000 on first responders.

If we knew where the terrorists would attack, we could spend \$20,000 to save \$500,000, which would be a prudent investment. But if don't know the target, we would have to spend \$2,000,000 to defend all 100 targets, which outweighs the \$500,000 in damage. On the other hand, even if we did not know the target, we could spend \$50,000 on first responders to reduce the damage by \$250,000, which is an efficient tradeoff.

Of course, if we could track down terrorists in advance successfully, that would to prevent attacks on *all* possible targets, that approach would have similar efficiency properties as spending on first responders. In fact, it is possible that spending more money on intelligence and investigation might be far more cost effective than spending a little on every possible target or even waiting to be attacked and then cleaning up efficiently.

This raises again the notion of tradeoffs. Since the number of possible attacks is effectively unlimited and the resources we can devote to the fight against terror are limited, it means that spending should not occur without a careful cost-benefit analysis. It is perfectly reasonable to decide not to implement an antiterrorism measure, not because it has no benefit, but because the tradeoffs are too high. For instance, locking up every Arab-looking person would reduce the potential for terrorism perpetrated by Islamic fundamentalists, but no reasonable person would suggest this approach because the costs (both pecuniary and moral) are too high. In the US, there are laws that prohibit police from profiling by characteristics like race, because we believe that such measures are unacceptable, but not because we believe them to be ineffective.

In the same way, some antiterrorist countermeasures might yield very high returns and reduce exposure to attacks tremendously, but the costs of implementing them are extremely high. If we install Jersey barriers around all major buildings and critical assets in the country, our exposure to attacks will be substantially lower, but the costs involved would be astronomically high.

Table 1. Cost Effectiveness of Selected Antiterrorism Expenditures

		<i>Wasteful Outlays</i>	<i>Major Sacrifices</i>
Cost to Prevent Terrorist Attack	High Cost	Screen Every airline passenger	Surround all critical infrastructure with concrete Jersey barriers
	Low Cost	<i>Simple Steps</i> Store fewer chemicals at water-treatment plants	<i>Efficient Outlays</i> Place barricades on airplane cockpit doors
		Low Benefit	High Benefit
Benefit From Reduced Exposure to Attack			

Efficient expenditures concentrate limited resources on the most cost-effective expenditure rather than simply on the effective ones. In other words, because security always involves a tradeoff, more security spending does not always mean more security and more security does not always make us better off.

Who should pay for Homeland Security?

Before turning to an evaluation of grant programs, one should also evaluate the economic reasoning behind federal provision of homeland security. National defense is often cited as the archetypal public good, i.e., one person's consumption of the good does not prevent another person from consuming the same good.⁸ Another characteristic of public goods is that they are non-excludable, i.e., it is hard or impossible to prevent anybody that desires from getting access to and enjoying the public good once it is produced. Private goods have opposite characteristics: they are rival and excludable.

Economic theory suggests that it is efficient to have governments provide public goods, but to resort to private markets for the provision of non-public goods, e.g., governments should provide national defense, but markets should produce washing machines.

As already mentioned, a key feature of terrorism is that the threat is generalized (it can happen anywhere, at any time) and yet any particular attack is "local." By implication, homeland security is a mix of public and private goods. Accordingly, governments should provide some types of homeland security, while other types are best left to private markets. For example, governments should invest in intelligence gathering to track down terrorists, since this is a public good that benefits all citizens. But the protection of private property, such as personal residences, should be left to individuals because it is not a public good.⁹

A similar logic applies to which aspects of homeland security are public goods at the national versus state level. (See Table 2.) Espionage, intelligence, and immigration control benefit all the states, so the *federal* government should make these investments. But the benefits of protection of public infrastructure like bridges and water treatment plants are enjoyed by the residents of a particular state, rather than many states, so these investments should be made at the *state* level. In the same way, the benefits of building a strong first responder's capacity will be enjoyed by the residents of a particular state, so the investment should be made at the state level. This is not to say that the entire economy might not suffer were a specific bridge to be destroyed, but rather, that the principle economic impact of such an unfortunate event would be felt locally.¹⁰ Identically, even the entire country will suffer if one given state was suffer a successful terrorist attack, the benefits of a well functioning first responder's response are mainly local ones.

Table 2: Who should be responsible for Homeland Security?

Federal Government	State and Local Government	Private Sector
Espionage Intelligence Immigration Electric grid	Protection of Infrastructure such as: Bridges, Water reservoirs, and Ports First Responders	Protections of Infrastructures such as: Privately owned infrastructures, Stadiums, Skyscrapers and individual houses

A Public Choice Approach to Homeland Security Spending

Public choice theory also can be applied to homeland security spending. Many decisions on homeland security come through the political process. According to public choice economics, each participant has an incentive to maximize the political benefits of any particular action. This means that decisions are not always based on an assessment of the common good.

Public Choice theory underlines the different incentives and processes that operate when goods are sought through political means rather than through economic means.¹¹ For instance, if you have to use your own money to buy the lock on the door to protect your house, you will make sure that the increased security from the lock is worth the price of the lock. In the words of Buchanan (1969), an individual spending his own money makes sure that anticipated benefits exceed the costs.¹² In the political process though, the people buying the lock are rarely the ones paying for the lock. As such, they have less reason to balance costs and benefits.

The political appropriation and distribution of goods concentrates its benefits and disperses its costs. Many people can be taxed at a low rate so a small number of people can be given large sums. Special interests groups have an incentive to lobby the government to see that wealth is transferred to them. The term economists use to describe such lobbying is "rent-seeking."¹³ These pressure groups have a clear advantage in a political process where politicians are frequently accused of hearing nothing from the many and a lot from the few.¹⁴

But policymakers represent an interest group too. In seeking reelection, they have an incentive to please those who might have money or votes to contribute to them. For instance, being elected by state voters rather than federal ones, a Congressman has an incentive to try to bring back to his state as much federal money as possible rather than to fight to cut down federal spending.¹⁵ A good example of this phenomenon is the increasing number of low priority and wasteful spending items—also called pork barrel spending—introduced by Congress at the last moment into federal spending bills and directed at a specific state locality or at a specific facility. In the same way, politicians are likely to favor and transfer wealth to targeted industries—like the farm or the automobile industry.¹⁶

Thus, constituencies and interest groups are created for each particular political benefit program, and it may become, if this theory is correct, nearly impossible to develop policy initiatives without their input. This of course has major implications for the way politicians will make decisions about homeland security spending. First, because policymakers who are ultimately making homeland security decisions are often not the ones making the tradeoffs, it is possible that they will throw money at the problem rather than finding the most cost-effective antiterrorist measure to adopt. Also, lawmakers are likely to use homeland security funds to achieve non-homeland security agendas through the use of pork barrel spending and corporate welfare.

Finally, "homeland security" pressure groups—e.g. first responders, state officials and/or specific industries like the airline industry—may have an incentive to lobby lawmakers to try to grab a bigger share of the funding allocated to homeland security programs and /or to transfer their responsibilities to the federal government. In a recent paper, Besley et al. (1999) look at the tradeoffs between centralized and decentralized provision of local public and private goods.¹⁷ They emphasize the importance of the politics of decision making for the move toward more centralization of local responsibilities and the inefficient allocation of resources resulting from this process.¹⁸ Federalization of airline screeners and the trend toward the federalization of law enforcement and first responder programs are recent examples that may be consistent with this evidence.

V. First Responder Grants

The September 11th attacks revealed some gaps in the ability of local officials to respond to terrorist attacks on major urban cities. In response, Congress moved swiftly to appropriate homeland security funds to state and local governments. Total federal homeland security spending to state and local governments increased from \$2.7 billion in FY2001 to \$8 billion in FY2006 (a 1962 percent increase).¹⁹

A significant portion of that effort was directed to “first responder” programs – essentially federal funds for state and local police and fire departments. Homeland Security funding to state and local governments for first responder programs increased from \$616 million in FY2001 to \$3.36 billion in FY2006 (a 500 percent increase).²⁰ But the biggest share of this first responder program explosion took place in the form of grants to lower level governments.

While the quantity of funds is significant, the funds are not being allocated according to a plan that was devised by security experts or by economists. In keeping with the way Washington spreads federal taxpayer’s money to the states—whether for highways, education or emergency preparedness—DHS follows in part a formula set by Congress that provides every state with a guaranteed minimum amount of state grants regardless of risk or need. Specifically, the formula written into law by Congress into the Patriot Act after September 11th guaranteed each state 0.75% of the total amount appropriated to DHS for state terrorism preparedness grants, with smaller shares going to territories like Puerto Rico. It amounts to 40 percent of the total pot of money being divided up equally among the states, regardless of size, risk, or need.

Prior to September 11th, total funding covered by the formula—i.e the State Homeland Security Grant Programs (SHSGP), which is the sum of a series of separate grants, plus Critical Infrastructure Protection Grants—amounted to \$97 million.²¹ It means that in 2001 the guaranteed minimum each state would receive was less than \$1 million. However, due to the 20-fold increase in this program between FY2001 and FY2003 from \$97 million to \$2,066 million the minimum guaranteed amount each state was receiving went from \$1 million to \$15.5 million regardless of risk or need.²² In FY2004, this minimum guaranteed sum was roughly \$13 million. In FY2005, the amount allocated decreased along with the minimum guaranteed but still be significant.

After this 40 percent of SHSGP is allocated to states, the 60 percent left over is apportioned among states based on population, not risk. For the smallest states, this formula means an additional \$2 million on top of the guaranteed minimum. In FY2004, the two combined allocation formulas resulted in Wyoming, the least populous state, receiving \$17.5 million and California, the most populous state, receiving \$164 million regardless of risk or need.²³ And according to the same calculation, in FY2004 Wyoming is guaranteed to receive a minimum of \$15 million and California, the most populated state, at least \$133 million.

The underlying theory behind this all-state-minimum formula is that terrorists could strike anywhere and that heads of homeland security agencies in rural and small states throughout the country have now become convinced that their turf is just as threatened as Washington, New York or Chicago. The journalist Amanda Ripley adds in the *New York Times Magazine* “when asked about relative risks, these officials talk about relative worth and the right of their citizens to get the same kind of protection that they are afforded in other places in the country.”²⁴

The theory that money should be spent smoothly across states has not been supported by reasoned analysis during the public policy debate. And experts in the field have reached different conclusions. The Insurance Services Office (ISO)—a private company—serves the insurance industry by maintaining data on risks of all kinds and helping insurance companies underwrite policies at prices commensurate with those risks. In 2003 ISO did a research project to set objective prices for terrorism insurance. They surveyed five former FBI, CIA and Pentagon intelligence experts and applied their opinions to a database of 300,000 potential targets. They then used this information to set baseline rates for terrorism insurance. Their conclusion is the following: The highest risk cities in the U.S. are New York, Washington, DC, Chicago, San Francisco and those at high risk of attack are Los Angeles, Philadelphia, Houston, Seattle and Boston.²⁵

Many other glitches in the homeland security grant distribution are the result of those two government formulas. For instance, among the top 10 states and districts receiving grants only the District of Columbia also appeared on a list of the top 10 most at risk places.²⁶ Currently, states in rural, less populated areas, or populated areas – but less likely to be targeted by terrorist acts – often receive a disproportionate amount of grant money.

Table 4 shows how much in dollars per capita each state received from State Homeland Security Grants Programs for FY2004. New York State received 4.68 percent of general grant money while its population accounts for 6.55 percent of the nation's population. California received 7.95 percent of general grant money while its population accounts for 12 percent of the nation's population. And Wyoming, which has a population that accounts for 0.17 percent of the nation's population, receives 0.85 percent of all the grant monies. This translates to \$5.41 per capita in New York State, \$4.97 per capita in California and \$37.74 per capita in Wyoming. And spending on U.S. territories is equally variable. In FY2004, the US Virgin Islands received \$104.35 per capita, Guam \$90.36, and Northern Mariana Islands \$54.

One should not conclude that more money should be handed to states with a lower dollar grant per capita or with a large population like California or that money should be taken away from small states with high dollar per capita. Cox (2004) points out "It is not the case that American Samoa should receive proportionately less or should, in the nature of things, receive more or less than anywhere else, except in my view, if security needs require it."²⁷ In other words, grant money should only be distributed based on an evaluation of risk and security need and nothing else. The political formulas used now to allocate the money disconnect the funding from the risk of being attacked.

The same lack of assessment of risk and need exists in the way states allocate or pass through the funding from DHS to their localities (they are obligated to pass through 80 percent of the money received).²⁸ For instance, Carafano (2004) reports "California distributes its federal grants in base-amounts of \$5,000 to each county, an amount so small and arbitrary it seems that it is difficult to imagine how it could be used productively."²⁹

Finally, almost three years after the State Homeland Security Grant Program was launched, first responders across the Nation have not received the vast majority of the \$6.3 billion that congress and the Administration have allocated in terrorism preparedness grants since September 11 (FY2002 to FY2004).³⁰ In fact \$5.2 billion in the Department of Homeland Security grant money remains in the administration pipeline, waiting to be used. And soon the money allocated for FY2005 and requested by the President FY2006 will be added to the funding pipeline (another \$5.2 billion).

Table 4. Dollars Per Capita Received by States From Homeland Security First Responder Grant Programs for FY2004

State	Grant Dollars per Capita	State	Grant Dollars per Capita
Virgin Islands	104.35	Oregon	9.18
Guam	90.36	Puerto Rico	8.82
Northern Marina Islands	54.00	Kentucky	8.57
Wyoming	37.74	South Carolina	8.52
American Samoa	37.54	Alabama	8.24
District of Columbia	34.16	Louisiana	8.24
Vermont	31.43	Colorado	8.17
North Dakota	30.82	Minnesota	7.81
Alaska	30.18	Wisconsin	7.57
South Dakota	26.32	Maryland	7.53
Delaware	24.86	Missouri	7.45
Montana	22.66	Arizona	7.43
Rhode Island	20.00	Tennessee	7.37
Hawaii	17.75	Washington	7.22
New Hampshire	17.44	Indiana	7.21
Maine	17.26	Massachusetts	7.14
Idaho	16.65	Virginia	6.75
Nebraska	14.10	North Carolina	6.49
West Virginia	13.73	New Jersey	6.45
New Mexico	13.39	Georgia	6.40
Nevada	11.84	Michigan	6.19
Utah	11.56	Ohio	6.00
Kansas	10.65	Pennsylvania	5.89
Arkansas	10.63	Illinois	5.85
Mississippi	10.32	Florida	5.45
Iowa	10.20	New York	5.41
Connecticut	9.30	Texas	5.24
Oklahoma	9.27	California	4.97

Source: Author's calculation based on Office of Domestic Preparedness, "Fiscal Year 2004 Homeland Security Grant Program" and US Census Bureau, "Annual Population Estimates 2000-2003."

VI. Use Of Homeland Security Grants

The lack of risk-based funding coupled with the absence of federal terrorism preparedness standards or goals to guide expenditure of funds at the state and local levels has resulted already in some questionable uses of homeland security grants (whether they are DOJ, HHS or DHS grants).³¹ Expressing his concern, former Senate Budget Committee Chairman Nickles notes, "Congress is creating programs under the banner of homeland security, which in some cases, some cities and some states are using as more or less revenue sharing."³² And Chairman Chris Cox notes that "there have been numerous reports suggesting that the first responder monies that have been received and spent to date have not necessarily gone to the first responders who need it most, or for projects that materially enhance our homeland security."³³

The data support their fears. The misuse of federal funds by states and local governments includes:

- \$63,000 spent on a decontamination unit that is now stored in a warehouse in rural Washington State because the state does not have a HAZMAT team to use it.³⁴
- \$22,800 spent by Mason County, WA to buy six radios that are incompatible with county radios.³⁵
- \$30,000 used by officials in Lake County, TN, to help a high school buy a defibrillator to have on hand for a basketball tournament.³⁶
- \$500,000 spent by Outagamie County, WI. (pop. 165,000) to buy chemical suits, generators, rescue saws, disaster-response trailers, emergency lighting, escape hood, and a bomb disposal vehicle.³⁷
- \$98,000 spent on training courses in incident management by the Tecumseh fire department in Lenawee County, MI that no one attended.³⁸
- \$557,400 awarded to North Pole, a town in Alaska (1,570 people), for homeland security rescue and communications equipment.³⁹
- \$183,000 spent by Tiptonville, TN (7,900 people) to buy an all-terrain vehicle, a couple of defibrillators and protective suits for the volunteer fire department.⁴⁰

These are not isolated cases of unfortunate uses of homeland security funds. Meanwhile, as Senator Nickles points out, “[Large and high risk cities] are as likely to waste homeland funds as low risk areas.”⁴¹ Senator Conrad notes, “I have heard from individual departments that spending initiatives that were pending previously that were not approved, once they were given the label of homeland security, whether or not they fit the description, sailed through.”⁴² For instance, Washington DC—incontestably one of the high threat areas in the country—used the region’s first wave of homeland security aid as “seed money” for a computerized car towing system that the mayor had promised for three years to help combat fraud by private towing companies and to buy leather jackets.⁴³ D.C. also used \$100,000 to fund the mayor’s popular summer jobs program.⁴⁴

According to DHS officials, DHS spending has been the subject of many audits, none of which found any systemic cases of fraud or abuse of program funds. Indeed, many of the purchases made with DHS funds were allowable and justified under Department guidelines. To end the discussion there, however, ignores the larger point that the system for disbursing homeland security funds is flawed and does not ensure that the greatest priorities are funded. While the audits did not find systemic problems, some of their specific recommendations fit well with Chairmen Nickles and Cox’ arguments on this point. For instance, the Inspector General’s audit of first responder grants admonishes, “Efforts to monitor and measure the impact of first responder grants needs to be improved.”⁴⁵ The Inspector General’s report on Port Security Grant Program notes that many grants were given to port security projects that “appeared to be for a purpose other than security against an act of terrorism.”⁴⁶

Spending \$58,000 on a rescue vehicle capable of boring through concrete to search for victims in collapsed buildings in Colchester, Vermont (18,000 people), for example, may be allowable and justifiable under DHS guidelines, but are those guidelines appropriate?⁴⁷ And while there may be some ways to justify spending homeland security funds in this location, we should question whether locations like Vermont, Michigan, or Tennessee are truly the front lines in the war on terror.

VII. Are Federal Grants to States Efficient?

The real question is whether these problems with homeland security grants to the states are not simply symptomatic of any federal grant system. If that is the case, it means there are more productive ways to protect America than federal grant programs to state and local governments.

In theory, the United States is a federal system, meaning that the federal government was designed to have specific limited powers with most basic functions left to the States. But in the last fifty years, the federal government has undertaken a large number of activities that were traditionally and constitutionally reserved to the states. To extend its power into state affairs the federal government has developed a vast and complex system of grants to states and local government.⁴⁸

In FY2005, the total amount of federal grants paid out to the states and local government is scheduled to reach well over \$425.8 billion. President Bush requested \$435.7 billion for grants for FY2006.⁴⁹ According to the GAO, over the past 20 years the number of federal grant programs to states and local government has proliferated from less than 450 in 1980 to roughly 700 in 2001.⁵⁰ These grants are directed towards a huge range of activities such as education, healthcare, transportation, housing and more.

To be sure, these grants are an imposition of federal priorities on state and local government.⁵¹ But are they an economically efficient way to manage homeland security spending?⁵²

Numerous reports have pointed at the complexity and redundancy in the federal grant industry as well as at the mismanagement, fraud and abuse of federal funds. The GAO notes “GAO’s work has been pointing out the chronic problems of federal grants since at least 1975.”⁵³ And in spite of GAO recommendations and occasional reforms, the same problems remain. So although the initial goal of grant programs might be a high-minded purpose—such as help for poorer regions or homeland security—they frequently have turned out to be an extremely ineffective way to achieve a policy goal.

The unsatisfactory performance of federal grant programs has been repeatedly reported. Indeed, the Office of Management and Budget regularly points out that grant programs have poorer performance, on average, than other federal programs.⁵⁴ These grants often come within the frame of one-size-fits all federal regulation, which reduces States’ incentive to be innovative.

This abundant literature serves as evidence that federal grants and funds to states are a wasteful way of providing government services to Americans. There is no reason to believe that it will suddenly become an effective way to enhance America’s homeland security. In addition to the problems underlined in the previous section, GAO reports that homeland security grants are already following the same troubling pattern of other federal grants.⁵⁵ First, the amount of homeland security funds transferred to lower level governments is growing at an impressive rate. Homeland security funds—which included grants from DHS, DOJ and HHS—handed down to the states for first responders alone increased from \$2.7 billion in FY2001 to \$5.5 billion in FY2005.⁵⁶ In FY2005, a total of \$8.4 billion will be paid by the Department of Homeland Security in the form of grants to state and local governments to finance homeland security activities. The president’s FY2006 budget proposed to raise that amount to \$9.1 billion.⁵⁷

Second, excessive complexity and duplication in the federal homeland security grant industry is already quite evident. For instance, GAO describes the extreme complexity and fragmentation of the major federal homeland security assistance programs targeted to first responders.⁵⁸ Some grants go to state emergency management agencies, some go to state fire marshals, some go directly to local first responders and some go to the cities. Some grants are paid by DHS through the Office of Domestic Preparedness and/or through FEMA, some are paid by the Department of Justice through the Office of Justice Programs and/or through the Office of Community Policing Services and others are paid by the Department of Health and Human Services through the CDC and/or through the health Resources and Service Administration. Finally, there at least 16 overlapping grant programs for local first responders

such as firefighters and local law enforcement – highlighting the problem of duplication in the federal grant program.⁵⁹

And like other grant programs, homeland security grants have spurred much wasteful lobbying activity.⁶⁰ Edwards (2004) reports “On March 4th 2004, 3,000 officials flew into Washington to lobby Congress for larger first responder grants; they were followed on March 16 by firefighters from across the country coming to lobby Congress.”⁶¹ Other officials are coming to complain about the level of grants they are getting compared to others and asking for a level playing field.

And yet, when Senator Nickles asked Homeland Secretary Ridge in February 2004 “these [first responder] funds, correct me if I am wrong, these funds really aren’t supposed to be a subsidy for local police and fire, is that correct?” former Secretary Ridge replied without blinking “That’s correct.”⁶²

Our homeland security is only as strong as the weakest link. Most dollars spent on anything else than the weakest link—in term of probability of something happening, the likelihood of it succeeding and the consequences of it occurring—are likely to be a waste of money. It means that giving state and local government money to increase their capacity to response to a terrorist attacks is the wrong answer. The Council on Foreign Relations measured the cost of equipping every state and U.S. territory with enough resources to conduct each critical homeland security task could be at least \$103 billion per year.⁶³ And this level of funding could not even guaranty the U.S against devastating attacks.

According to security expert Bruce Schneier “critical to any security decision is this notion of trade-offs, meaning the cost—in terms of money, convenience, comfort, freedoms and so on—that inevitably attached themselves to any security system.” He adds “better understanding of trade-offs leads to a better understanding of security decisions.”⁶⁴ A recurring recommendation from the GAO over the years has been the need to use risk management as an important element in developing a national strategy to fight terrorism.⁶⁵

Risk management is about playing the odds. It is figuring out which attacks are worth worrying about and spending money on and which are better left ignored. It is spending more resources on the serious attacks—defined as being very likely or if successful having devastating effects—and spending less on the trivial ones. It is taking a finite security budget and making the best use of it. In other words, homeland security should be about wise choices, not just increased spending.

Risk management is also about figuring out who is the best player suited to address a given risk. At the federal level, homeland security should be about preventing adverse consequences from the intentional and unwarranted actions of others. In that sense, federal homeland security grants are not making us more secure. The grant programs—especially the first responder grants—are predicated on the notion of cleaning up after terrorists successfully attack. This is a huge waste of our scarce federal resources. Cox (2003) notes, “The mission of the Department of Homeland Security must be first and foremost to prevent another deadly attack on the United States.”⁶⁶ And he adds “A dollar spent on preventing the next terror attack is vastly superior to spending dollars on cleaning up the mess when we fail to do job one, which is preventing terrorism.”⁶⁷

Homeland security should be based on the investigation, interdiction and elimination of terrorist threats. As Governor Mitt Romney (R-MA), co-chairman of the National Governors Association’s homeland security efforts, points out “Many states are focusing too much efforts on preparing to respond when the most important investment would be preventing terrorist attacks.”⁶⁸ It means that the billions going to states and local governments would be best spent on bolstering the ability of federal law enforcement and intelligence services to achieve these goals instead of subsidizing local fire stations throughout the country.

Alternatively, instead of wasting money on building response capacity, federal funding could be spent to create a truly national prevention system with a robust capacity for state and

local intelligence, early warning, exchange and exploitation of information and domestic counterterrorism. According to James Carafano (2004), grant programs have proven far more effective when federal money has been used to fund vulnerability assessments and to encourage public-private partnerships that adopt sustainable and effective security programs.⁶⁹

It does not mean that investing money on first responders is not important. However, states and local communities should be in charge of most of their preparedness efforts. If police officers feel they need more equipment to do their job, or firefighters need training or gym memberships they are not getting right now, they should turn to their state and local officials for funding.

More importantly, leaving the responsibility for developing proper first responder policies to the states makes much sense. Federalizing first responder programs accentuates the public choice problem that already plagues the political process. When first responder programs are funded at the federal level, a Congressman from Wyoming has no incentive admitting that his state is not a likely target or that if it ever were a target, the level of damages would be limited. This same Congressman has no incentive to turn down federal money, and even less incentive to volunteer sending his state taxpayer's dollars to benefit other states. By contrast, when first responder programs are states' responsibility, then this same Wyoming Congressman in theory should have a stronger incentive to assess risk and potential damages to his state accurately. He should have an incentive to decide whether to spend more on homeland security or on other accounts.

It does not mean that local communities would never have any claim to federal funds in case of a terrorist attack. But these funds should be accessed only when needed in case of an emergency, in the same way that FEMA funds can be accessed following a natural disaster.⁷⁰ But implementing this system should not be an excuse to federalize the cost of state and local responsibilities.

Economics and public choice theory suggest a natural organization that appears to have eluded lawmakers so far. Not every jurisdiction needs a bomb squad. What every jurisdiction needs is to know where they can get a bomb squad if they need one, and/or where to ask if they need to find a bomb squad. Today, it is incredibly easy and fast for a team of specialized responders to fly from one state to another and to help the state in distress. After September 11th, individuals, firefighters, police officers and many others all over the country mobilized to help New York and Washington. And that would happen again.

VIII. The Need for Grant Reform

The evidence suggests that homeland security grants to state and local governments are at times wasted. Accordingly, reform of this system is a worthy priority. The highest priority for federal spending is not to service every one of state and local governments' needs. The priority must be to create a true national preparedness system. To that effect, funds should be distributed strictly based on risk and vulnerability. A first step in that direction would be to eschew the requirement that every state get part of the homeland security money. Also, because the grant system has proven to be very ineffective in the past, money should not be allocated through grants.

On July 22, 2004, the National Commission on Terrorist Attacks Upon the United States (9/11 Commission) issued *The 9/11 Commission* report recommending among other things that federal homeland security assistance be distributed to state and local government based on risk and vulnerability. It added that, "Federal homeland security assistance should not remain a program for

general revenue sharing. It should supplement state and local resources based on the risks or vulnerabilities that merit additional support.”⁷¹

Other critics of the present funding distribution method include House Homeland Security Committee Chairman Chris Cox. To that effect, his legislation, the "Faster and Smarter Funding for First Responders Act of 2005" would authorize the Secretary of the Department of Homeland Security (DHS) to change the criteria used to distribute funding to DHS' major programs in order to base grants to state and local governments primarily based on the risk of terrorist attacks and the magnitude of potential damages—not population.⁷² Under the Cox proposal, most states would get a 0.25 percent of the available first responder dollars—instead of 0.75 percent. However, those States with substantial land or water borders with Canada and Mexico would be eligible for 0.45 percent.

Last year, the House version of intelligence reform legislation (HR10) included language, which originated in the House Selected Committee on Homeland Security, changing the funding formula to base homeland security grants on risk assessment and changing the formula so each state would receive at least 0.25 percent of the total grant pool (versus 0.75 percent with the current formula). It immediately triggered very strong oppositions in the Senate. Senator Leahy (D-VT), member of the powerful Homeland Security Appropriations Subcommittee, for instance, has argued that dropping the all-state minimum formula would “shortchange rural states.”⁷³ In the end, the language did not survive the House-Senate conference.

A surprising endorsement of the intelligence bill's risk or threat-based model came from seventeen fire and police organizations. In a letter to Rep. Peter Hoekstra (R-Mich), chairman of the congressional conference committee, they wrote “We believe that the funds should be distributed based on a risk or threat-based model.”⁷⁴ They even went further than the House version of the intelligence bill (HR10). They wrote, “To the extent that state minimums are included, we urge that the minimums be kept low, in order to provide maximum funding to areas of greatest need.”⁷⁵ Yet, again the victory of logic over state dependency did not see the light of day due to the extreme resistance to the idea.

This year, the President's FY2006 budget also tries to move toward a risk based allocation of homeland security funds. To that effect, the administration's budget rightfully restraints the amount of grants going to state and local governments. It also makes an effort to restructure DHS grants to focus on strategic needs rather than giving fixed allocations to individual states. Moreover, the President decided to adopt the basic principles of the “Faster and Smarter Funding for First responders Act,” as passed by the House in H.R. 10 during the 108th Congress and change the formula so that states would get a 0.25 percent of the available funds.⁷⁶

Secretary Chertoff explains “We have to put the resources where the highest threats are.” He has ordered an internal review of his agency's organization, operations and policies. In a statement before the House Appropriations Committee's Homeland Security Subcommittee, Chertoff said, “I want to emphasize that our analysis of threats and risks posed to the United States by terrorists will drive the structure, operations, policies and missions of the department, and not the other way around.”⁷⁷

Delivering a speech at the George Washington University Homeland Security Policy Institute, the Secretary explained, “We need to adopt a risk-based approach in both our operations and our philosophy. Risk management is fundamental to managing the threat, while retaining our quality of life and living in freedom.” More importantly, he added, “Here I inject a note of caution because the media and the public often focus principally on threats. Threats are important, but they should not be automatic instigators of action. A terrorist attack on the two-lane bridge down the street from my house is bad but has a relatively low consequence compared to an attack on the Golden Gate Bridge. At the other end of the spectrum, even a remote threat to detonate a nuclear bomb is a high-level priority because of the catastrophic effect.”

If the President's proposal or the "Faster and Smarter Funding for First responders Act 2005" were adopted, it would be an important step in the right direction and a serious improvement of how we are spending homeland security funds to protect our nation. However, it probably won't go through without other serious resistances in the Senate.

The Senate already offered signs that lawmakers may buck the Bush administration on spending priorities. An amendment to the 2006 budget resolution (S Con Res 18) offered by Senator Susan Collins (R-Maine) and Joe Lieberman (D-Conn.) restoring \$855 million in first responder funding that was eliminated by the administration was approved earlier in March. In a prepared statement, Joe Lieberman explained "Homeland security cannot be had on the cheap and our first responders must have the training and equipment they need to keep our community as safe as possible."⁷⁸

In a few days, Senator Collins will reintroduce her S. 2845 bill, the Senate version of the intelligence reform legislation. Unfortunately, S. 2845 retains some of the flawed structure for allocating homeland security assistance grants. Under S. 2845, DHS would first allocate the higher base amount to each State, and then an additional amount on the basis of risk. The failure of S. 2845 to reform this structure means that DHS will be instructed to allocate far too much funding without regard to any risk. Also, S. 2845 does not require DHS to evaluate and prioritize applications based upon risk or need.

At the end of the day, the differences between the House and the Senate can be explained by the fact that Senators from rural States have grown accustomed to grabbing disproportionate slices of the federal money pie. More generally, block grants are to the states and localities what entitlements are to citizens: money that flows to them automatically from the federal government. The lure of easy money for their recipients has made them popular with Congress.

X. Conclusion

In the largest open society in the world, improving homeland security is a challenging task. Among other vulnerable targets, the United States has thousands of miles of borders, thousands of bridges, sports stadiums and shopping malls, hundreds of skyscrapers and power plants. Certainly, the attacks on Washington DC and New York have put immense pressure on the Administration and Congress to show that security against future attacks is being enhanced.

A common path to bad security is knee jerk reaction to the news of the day. Sadly, too much of the U.S. government's response post 9/11 seems to be exactly that. Some are telling us that we are in graver danger than ever everywhere in the country and that in order to be secure, homeland security spending needed to increase drastically. Yet, because most of the money is allocated on a political basis rather than a sound cost benefit analysis, much of the new spending will not result in sound security. In other words, the security we are getting against terrorism is likely to be ineffective, yet comes at an enormous expense.

By definition, the purpose of homeland security is to make America safer. As such, wasteful spending and grants to state and local governments do not achieve that goal. In the same way, the federalization of law enforcement and fire departments appear to be ineffective ways to address our homeland security problem. In some cases, they might increase our feeling of security but in reality they might even make us less safe.

Economics suggests the following: spending decisions should be based on a true cost benefit analyses. It means that homeland security money should be spent strictly based on risk and potential damage. To that extend, minimum guaranteed of funding for state and local government is inappropriate. Identically, tools that have been proven to be ineffective in the past should not be used for homeland security. It means that we should move away from the grant system altogether. To the extend

that this pure reform could not be achieved, it is clear that moving to a system that mainly allocates money based on risk is an option far superior to the status quo.

Economics also underlines the need to more formally deliberate what level of government is the best suited to make homeland security investments taking under consideration the public choice ramifications of the alternatives. And finally, it requires paying particular attention to pork barrel spending and sanctioning it.

The challenge of determining what the best security investments are will remain and should be left to security experts rather than politicians. Governments, by nature, are very inefficient institutions. We must accept this as fact. So instead of thinking that the solution to 9/11 is more and more of the same approaches that failed us, policymakers should start doing the analysis needed and making the tradeoffs as to where we should focus our limited security resources.

¹ Author's calculation based on *The Budget of the United States Government, Fiscal year 2006*, Table S-5, (Washington: Government printing Office, February 2005) and Office of Management and Budget, "Securing the homeland, Strengthening the Nation" http://www.whitehouse.gov/homeland/homeland_security_book.pdf

² Author's calculation based on *The Budget of the United States Government, Fiscal year 2006*, Table S-5, (Washington: Government printing Office, February 2005) and Current Population Survey, March 2003.

³ For a good discussion about the concept of tradeoffs see James Buchanan, *Cost and Choice, An Inquiry in Economic Theory*, Collected Works of James Buchanan Volume 6, (Indianapolis: Liberty Fund).

⁴ The difficulty of estimating low probability risks is stressed by Kunreuther et al. (1978).

⁵ See Manuel Trajtenberg, "Defense R&D in the Anti-Terrorist Era," NBER Working Paper No. 9725, May 2003.

⁶ Becker, Gary. "Crime and punishment: An economic approach," *Journal of Political Economic*, 1968.

⁷ See John R. Lott Jr. (2001), *The Bias Against Gun: Why Almost Everything You Have Heard About Gun Control is Wrong*, (Washington DC: Regnery Publishing, Inc), Chapter 6. Lott tests the economic model (that if you make something more difficult or increase the cost of being caught for doing something people do less of it) on perpetrators of multiple victim public killers. He finds that in this case, although legal sanctions such as higher death penalty execution rates should imply both fewer attacks and fewer people harmed, it is less of a significant factor in deterring multiple victim killings than it is in deterring normal murders. Also See Frey et al (2003)

⁸ See for example Gold (1999) for a good review of the literature and a discussion of defense as a public good.

⁹ Of course, saying that some areas of homeland security have public features and should probably be provided by the government does not exclude the possibility of inefficient and wasteful provision of that good.

¹⁰ An argument in favor of federalization of these investments is that because investing in protection is likely to displace a terror attack, the private sector or local and state governments might have an incentive to overspend on homeland security.

¹¹ See James Buchanan and Gordon Tullock (1962), *The Calculus of Consent*, University of Michigan Press, Ann Harbor.

¹² James Buchanan, *Cost and Choice, An Inquiry in Economic Theory*, Collected Works of James Buchanan Volume 6, (Indianapolis: Liberty Fund).

¹³ For a discussion about the economics of interest groups see Mancur Olson (1982), 'The logic', in *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*, New Haven: Yale University Press, p. 17-35. Also see George J. Stigler (1974), 'Free Riders and Collective Action: An Appendix to Theories of Economic Regulation', *Bell Journal of Economics and Management Science*, 5 (2), p. 359-65. Gary S. Becker (1983), 'Theory of Competition Among Pressure Groups for Political Influence', *Quarterly Journal of Economics*, XCVIII (3), August, p. 371-400. For a good description of the theory of rent seeking see Gordon Tullock (1967), 'The Welfare Costs of Tariffs, Monopolies, and Theft', *Western Economics Journal*, V, p. 224-32 and Robert Tollison (1982), 'Rent Thinking: A Survey', *Kylos*, 35 (4), p. 575-601.

¹⁴ For discussion about the dynamic of pressure groups see Becker, G. (1983), "A Theory of Competition among Interest Groups for Political Influence," *Quarterly Journal of Economics* 98, 371-400 and Becker, G. and C. Mulligan (1998), "Deadweight Costs and the Size of Government," NBER Working Paper 6789.

¹⁵ For a discussion on pork Barrel Spending see for example Acemoglu, D. and J. Robinson (2001), "Inefficient Redistribution," American Political Science Review 95, 649-61 and Baron, D. (1991), "Majoritarian Incentives, Pork Barrel Programs, and Procedural Control," American Journal of Political Science 35, 57-90. See also Coate, S. and S. Morris (1995), "On the Form of transfers to Special Interests," Journal of Political Economy 103, 1210-35 and Shepsle, K. and B. Weingast, (1981), "Political Preferences for the Pork Barrel: A Generalization," American Journal of Political Science 25, 96-112.

¹⁶ Grossman, G. M. and E. Helpman (1994), "Protection for Sale," American Economic Review 84, 833-50.

¹⁷ Timothy Besley and Stephen Coate (1999), "Centralized Versus Decentralized Provision of Local Public Good: A Political Economy Analysis," NBER Working Paper No. 7084.

¹⁸ See also, Stephen Coate (1997), "Distributive Policy Making as a Source of Inefficiency in Representative Democracies," Institute of Economic Research, University of Pennsylvania, Working Paper No. 97-041.

¹⁹ Author's calculation based on *The Budget of the United States Government, Fiscal year 2006 Appendix*, Department of Homeland Security, Department of Justice, and Department of Health and Humane Services and Chairman Cox (2004), House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 25.

²⁰ Shawn Reese, "FY2006 Appropriations for State and Local Homeland Security," Congressional Research Service, RS22050, February 14, 2005, p.1. http://www.ndu.edu/library/docs/crs/crs_rs22050_14feb05.pdf

²¹ The data on funding can be found in House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 25.

²² In FY2003 the amount covered by the formula was \$2.066 billion. The \$15.5 million is calculated with the following formula: $\$2.066.000 \times 0.0075 = \15.49 million.

²³ Author's calculation based on data collected from The Office of Domestic Preparedness, FY2003, State Homeland Security Grant Program (SHSGP), part I, <http://www.ojp.usdoj.gov/odp/docs/ODPApplication.txt> and Part II <http://www.ojp.usdoj.gov/odp/docs/fy03shsgp2.pdf>

²⁴ Amanda Ripley, "How We Got Homeland Security Wrong," Time Magazine, Monday March 22, 2004.

²⁵ The Insurance Services Office, "ISO continues to help you response to the Terrorism Insurance Act of 2002," May 2003. For more detailed information see www.iso.com.

²⁶ Author's calculation based The Office of Domestic Preparedness, FY2004, State Homeland Security Grant Program (SHSGP), part I, and Part II.

²⁷ Congressional Quarterly, "Republican Cox Delivers Remarks at McGraw-Hill Homeland Security Summit," June 4, 2004.

²⁸ House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 6.

²⁹ James Jay Carafano, "Homeland Security Dollars and Sense #1: Current Spending Formulas Waste Aid to States," 2004.

³⁰ House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 9.

³¹ This is not surprising considering that, until recently, the planning to spend first responder grants often occurred after the grants were actually received.

³² Congressional Quarterly, "Transcript of Senate Budget Committee Hearing on FY2005 Homeland Security Department Budget," February 25, 2004.

³³ House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 7.

³⁴ House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 7, followed up with an interview of Mason County Sheriff on March 3rd.

³⁵ Ibid, p. 7.

³⁶ House Select Committee On Homeland Security, "An Analysis of First Responder Grant Funding," p. 8.

³⁷ Ibid.

³⁸ Alice Lipowicz, "For Michigan Volunteers, Free Training Course Proves Too Expensive," Congressional Quarterly, March 11, 2004.

³⁹ Alice Lipowicz, "North Pole Receives Homeland Security Funds," Congressional Quarterly, October 22, 2002.

⁴⁰ CBS News, "Handouts for Homeland," 60 minutes transcript, April 10, 2005. <http://www.cbsnews.com/stories/2005/03/31/60minutes/printable684349.shtml>

⁴¹ Congressional Quarterly, "Transcript of Senate Budget Committee Hearing on FY2005 Homeland Security Department Budget," February 25, 2004, p. 7.

⁴² Congressional Quarterly, "Transcript of Senate Budget Committee Hearing on FY2005 Homeland Security Department Budget," February 25, 2004.

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- ⁴³ “Anti-terrorism Funds Buy Wide Array of Pet Projects; Some of Region’s Unused Million Could be Lost,” Jo Becker, Sarah Cohen, and Spencer S. Hsu, *The Washington Post*, November 23, 2003, followed up with an interview of D.C. Deputy Mayor’s office, March 2, 2005.
- ⁴⁴ “Anti-terrorism Funds Buy Wide Array of Pet Projects; Some of Region’s Unused Million Could be Lost,” Jo Becker, Sarah Cohen, and Spencer S. Hsu, *The Washington Post*, November 23, 2003.
- ⁴⁵ Office of Inspector General, Department of Homeland Security, “An Audit of Distributing and Spending ‘First Responder’ Grant Funds,” March 2004, http://www.dhs.gov/interweb/assetlibrary/OIG_ODP_03-04.pdf
- ⁴⁶ Office of Inspector General, January 2005, p. 34.
- ⁴⁷ Kate O’Beirne, “Introducing Pork-Barrel Homeland Security,” *National Review*, August 11, 2003.
- ⁴⁸ For a brief history of the federal grant system see Congressional Research Service, “Federal Grants to State and Local Governments: A Brief History,” Library of Congress, February 19, 2003. Also see General Accounting Office, “Federal Assistance: Grant System continues To Be Highly Fragmented,” United States Accounting Office, GAO-03-718T, April 29, 2003.
- ⁴⁹ *The Budget of the United States Government, FY2006, Analytical Perspectives*, p. 123.
- ⁵⁰ GAO-03-718T, p. 4.
- ⁵¹ For a comprehensive criticism of the Federal Grant Programs see Chris Edwards, “Downsizing the Federal Government,” Cato Institute Policy Analysis no. 515, June 2, 2004.
- ⁵² For an excellent discussion about federalism see Michael Greve, “Big Government Federalism,” *Federalist Outlook* No. 3, March 1st, 2001. http://www.aei.org/publications/filter..pubID.12576/pub_detail.asp
- ⁵³ GAO-03-718T, p. 6.
- ⁵⁴ *The Budget of the United States Government, FY2005, Analytical Perspectives*, p. 114 and p. 119.
- ⁵⁵ *Ibid*, p. 9.
- ⁵⁶ House Select Committee On Homeland Security, “An Analysis of First Responder Grant Funding,” see Table p. 25.
- ⁵⁷ *The Budget of the United States Government, FY2006, Analytical Perspectives*, p. 123.
- ⁵⁸ GAO-03-718T, p. 13.
- ⁵⁹ *Ibid*, p. 13.
- ⁶⁰ Chris Edwards, “Downsizing the Federal Government,” p. 32.
- ⁶¹ *Ibid*, p.32.
- ⁶² Congressional Quarterly, “Transcript of Senate Budget Committee Hearing on FY2005 Homeland Security Department Budget,” February 25, 2004, p. 2 and p. 9.
- ⁶³ The Council On Foreign Relations, Independent Task Force, *Emergency responders: Drastically Underfunded, Dangerously Unprepared*, 2003, p. 13. http://www.cfr.org/pdf/Responders_TF.pdf
- ⁶⁴ Bruce Schneier, *Beyond Fear: Thinking Sensibly About Security in an Uncertain World*, (New York: Copernicus Books, 2003), p. 3
- ⁶⁵ General Accounting Office, “Homeland Security A risk Management Approach Can Guide Preparedness Efforts,” GAO-02-208T, October 31, 2001, p. 2. Also see “Combating Terrorism: Selected Challenges and related Recommendations,” GAO-01-822 September 20, 2001.
- ⁶⁶ Jeremy Torobin, “Preventing Terrorism Tops Cox’s Agenda for New House Homeland Security Committee,” Congressional Quarterly, Tuesday, February 11, 2003.
- ⁶⁷ *Ibid*.
- ⁶⁸ Mitt Romney, Testimony before the Committee on Governmental Affairs, U.S. Senate, May 5, 2003. http://www.senate.gov/~gov_affairs/051503romney.pdf
- ⁶⁹ James Carafano, “Homeland Security Dollars and Sense #2: Misplaced Maritime Priorities,” Webmemo #648, February 2005.
- ⁷⁰ This of course does not mean that we think FEMA is doing an effective job. The media constantly reports about the mismanagement of FEMA and its failure to deliver disaster relief. See for instance Washington Post, “Housing Problems Beset FEMA in Florida,” Monday August 23 2004, p A 2.
- ⁷¹ The National Commission on Terrorist Attacks Upon the United States, *The 9/11 Commission Report*, (Washington: GPO, July 22 2004), p. 396.
- ⁷² Information on “The Faster and Smarter Funding for First Responders,” HR. 3266, can be found at <http://homelandsecurity.house.gov/release.cfm?id=216>
- ⁷³ Amanda Ripley, “How We Got Homeland Security Wrong,” March, 2004, p. 5.
- ⁷⁴ Alice Lipowicz, “First Responder Groups Endorse Risk-Based Grants Formula,” Congressional Quarterly, October 22nd, 2004.

⁷⁵ Alice Lipowicz, “First Responder Groups Endorse Risk-Based Grants Formula,” *Congressional Quarterly*, October 22nd, 2004.

⁷⁶ *Budget of the United States FY2006*, Appendix, p. 478.

⁷⁷ Jim Morris, “Chertoff Orders Thorough Review of the DHS structure and Operations,” *Congressional Quarterly*, March 2nd, 2005.

⁷⁸ Sean Madigan, “Senate Restores \$855 Million in First Responder Funding,” *Congressional Quarterly*, March 17 2005.